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ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85007

Janet Napolitano
Governor

Tracy L. Wareing
Director

AZ CORP COMMISSION
DOCKET CONTROL

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Arizona Corporation Commission
DOCKETED

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JUL 23 2008
By

Commissioner Mike Gleason, Chairman
Commissioner Jeff Hatch-Miller
Commissioner Kristin Mayes
Commissioner William Mundell
Commissioner Gary Pierce
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: Qwest Corporation Docket No. T-01051B-03-0454 & T00000D-00-0672, ACC
Decision No. 68604

Dear Commissioners:

The Arizona Department of Economic Security (DES) submits this Application for Waiver from the Funds Distribution Requirement of Decision No. 68604 (Order). DES respectfully requests the Arizona Corporation Commission (ACC) grant a waiver from the provision in its Order requiring DES to determine on a quarterly basis, each Community Action Agency's pro-rata share of the \$100,000 annual funding based upon the number of Telephone Assistance Plan for the Medically Needy (TAP) applications each agency has processed in the quarter.

BACKGROUND

ACC decision No. 68604 provides for increased funding for the TAP program, (which was established by the ACC Decision No. 57462, dated July 15, 1991). TAP funds were increased from a total of \$1.0 million annually, to \$2.0 million annually. The decision requires that separate funding of \$100,000 be deducted annually from the \$2.0 million fund to offset the reasonable administrative costs incurred by community agencies in enrolling qualified applicants in the TAP program.

The decision requires that on a quarterly basis, DES shall determine, and invoice Qwest for, each community agency's pro-rata share of the \$100,000 annual funding based upon the number of TAP applications each agency has processed in the quarter.

The decision requires that Qwest consult with DES and submit a plan to the ACC, which determines how each community agency's pro-rata share is to be determined.

HISTORY

Qwest has historically partnered with DES and the Arizona Community Action Agencies (CAAs) to administer the TAP program. DES provides both administrative and direct services by conducting training, customer-service, data-entry, and outreach activities. The CAAs provide case management services to low-income customers (as volunteer organizations), and coordinate application intake systems, conduct client interviews, and determine client eligibility. Decision No. 68604 provides for \$100,000 per year, to be distributed to CAAs to offset administrative costs incurred while completing these functions.

DES PROCUREMENT PROCESS

DES serves as the regulatory authority in the administration of various fund sources to CAAs and accomplishes this through a state procurement process, which is mandated under state law and is completed on a state fiscal year cycle (July 1 – June 30). Procurement rules require a contract ceiling amount upon implementation of a contract. Consequently, all funds distributed to the CAA network are allocated through a funding formula that determines individual agency fund levels at the start of the state fiscal year, and are paid to CAAs on a monthly invoicing cycle.

Decision No. 68604 requires that DES determine and invoice Qwest for each CAA's pro-rata share based upon the number of TAP applications processed in a given quarter. This requirement is problematic, as the quarterly payment recommendation does not lend itself easily to the DES procurement requirements. As written, the Order will require DES to project a potential contract ceiling award for each of the 10 CAAs, and then complete mid-year amendments to adjust contract awards consistent with actual pro-rata shares. This places increased administrative burden on both the CAAs and on DES to execute effectively. DES has no other mechanism to reimburse community action agencies for their administrative costs.

Qwest and DES have worked collaboratively to consider the requirements set forth in the language as it relates to the distribution of funds to community agencies. Two previous (and alternate) methods of funds distribution have been submitted to the ACC staff for consideration and have been rejected. These include:

OPTION 1

Distribution of \$100,000 in annual funding based upon the DES Community Action Programs and Services (CAPS) Funding Formula

The CAPS funding formula allocates funds primarily on the number of persons at or below 125% of poverty within a geographic service area, and is presently used to distribute over \$23 million in federal and local dollars to community action agencies. The formula method is widely accepted by the community action network as the preferred approach to funds allocation, has been approved by federal funding agencies, and is considered the most equitable mechanism to distribute funds for the provision of services to low-income populations. This strategy also works effectively with the DES procurement process.

The formula method recognizes potential service demand factors and the need for basic administrative infrastructures, rather than the existing capacities of community action agencies to complete applications.

Funds are directed toward the intended service population, rather than the administrative ability of an agency to provide the service. Because various agency infrastructures exist throughout Arizona (agencies with large administrative capacities in the urban areas versus agencies with significantly limited administrative capacities in rural areas) the formula method ensures services are made available in all areas of the state, not just areas where capacity already exists.

Following is a description of the factors used to distribute funds:

<i>Funds</i>	<i>Factor Description</i>
85% of available funds	Distributed according to the number of persons at or below 125% of poverty in each geographic area served.
10% of available funds	Distributed according to the total number of persons unemployed in the geographic area served.
5% of available funds	Distributed only to rural counties, according to the total number of persons at or below 125% of poverty in each geographic area served.

The funding formula method was declined by the ACC staff as a strategy to distribute TAP funds to community agencies.

OPTION 2

Distribution of \$100,000 based upon the number of TAP applications each agency has processed in the previous State Fiscal Year (SFY).

Although not the preferred method, this strategy will work effectively with the DES procurement process. The strategy will enable DES to identify contract ceilings based upon the previous year's pro-rata shares, and then reimburse community agencies on a monthly basis (as is the present practice with other fund sources) without the need to make contract adjustments via mid-year amendments.

This strategy will allow for the fluctuation of pro-rata shares over a yearly timeframe, rather than a quarterly timeframe. This method of funds distribution was declined by ACC staff as a strategy to distribute TAP funds to community agencies.

AGENCY CONCURRENCE

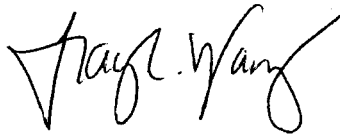
Qwest and DES have consulted with CAAs and the Arizona Community Action Association (ACAA) in efforts to identify a feasible distribution methodology consistent with the direction set forth in Decision No. 68604. Ensuing discussions resulted in a concurrence among the 10 CAAs and the ACAA that a waiver to the requirement is necessary and will promote the public's interest.

CONCLUSION

The pro-rata share distribution methodology set forth in Decision No. 68604 is not operationally feasible. DES, Qwest, and the Community Action Network agree that the funds set aside for administrative costs should be distributed according to the DES Community Action Programs and Services Funding Formula. As a result, DES believes that granting a waiver of the distribution requirement in Decision No. 68604 is in the public interest.

If you have any questions, please contact Judith Fritsch, Administrator, Office of Community Partnerships and Innovative Practices, at (602) 542-0283, or me at (602) 542-5757.

Sincerely,

A handwritten signature in black ink, appearing to read "Tracy L. Wareing". The signature is fluid and cursive, with the first name "Tracy" and last name "Wareing" clearly distinguishable.

Tracy L. Wareing
Director



Arizona Community Action Association

July 15, 2008

Commissioner Mike Gleason, Chairman
Commissioner Jeff Hatch-Miller
Commissioner Kristen Mayes
Commissioner William Mundell
Commissioner Gary Pierce
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

RE: Qwest Corporation Docket No.: T-01051B-03-0454 & T000000D-00-0672,
ACC Decision No. 68604

Dear Commissioners:

Arizona Community Action Association is writing to support the request being made by the Arizona Department of Economic Security (DES) for a waiver of the Funds Distribution Requirement articulated in Decision No. 6804. While we appreciate the intent of the Order and the logic used to determine the allocation of funding, using a formula that is based on the number of applications an Agency takes for the Telephone Assistance Program (TAP) is simply not practical for a number of reasons which are articulated in the DES request for waiver.

DES staff has previously recommended alternative methods for calculating a fair and manageable distribution of these funds, and that those methods have not been acceptable to Commission staff. Again, while we appreciate the original rationale for the distribution method, ACAA and our member agencies have been consulted prior to this request being formally submitted, and each Agency as well as ACAA supports the alternatives being recommended.

The TAP program is vital for individuals living in poverty in Arizona, both urban and rural residents. Your consideration and support of the DES request is very much appreciated. We don't want to further delay access to this important program to Arizona's most vulnerable families.

ACAA urges the Commission to grant the waiver requested by DES to ensure that this program continues throughout Arizona.

Sincerely,

Cynthia Zwick
Executive Director

Advocating, Educating and Partnering to Prevent and Alleviate Poverty.

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COCONINO COUNTY ARIZONA

COMMUNITY SERVICES DEPARTMENT

July 14, 2008

Senior Services

Home Delivered Meals
Case Management
Congregate Meals
In Home Care

Crisis Intervention Services

Homeless Prevention
Housing Assistance
Case Management
Resource Network

CREC

Coconino Rural
Environmental Corps
CREC Youth Corps

Public Fiduciary

Guardian Services
Conservator Services

Economic Empowerment

VITA Site
IDA Savings
Micro Business Development

Housing

Rehabilitation
CDBG Administration

Commissioner Mike Gleason, Chairman
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RE: Qwest Corporation Docket No. T-01051B-03-0454 & T00000D-00-0672, ACC Decision No. 68604

Dear Commissioners:

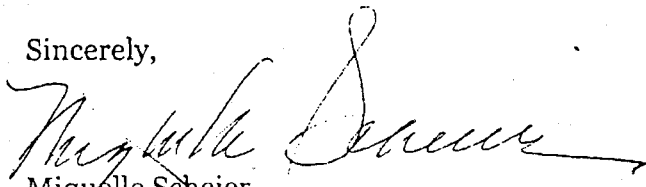
Coconino County Community Services submits this letter in support of the Arizona Department of Economic Security (DES) Application for Waiver from the Funds Distribution Requirement of Decision No. 6804 (Order). We respectfully request that the Arizona Corporation Commission (ACC) grant a waiver from the provision in its Order requiring DES to determine on a quarterly basis, each Community Action Agency's pro-rata share of the \$100,000 annual funding based upon the number of Telephone Assistance Plan for the Medically Needy (TAP) applications each agency has processed in the quarter.

Two previous (and alternate) methods of funds distribution have been submitted to the ACC staff for consideration and have been rejected - - distribution based upon the DES Community Action Programs and Services Funding Formula, and distribution based upon the number of TAP applications each agency has processed in the previous State Fiscal Year. Both QWEST and DES have consulted with the Community Action Agencies and the Arizona Community Action Association, and have agreed that a waiver to the requirement is necessary and will promote the public interest.

The TAP program is extremely important to persons living in rural areas with medical needs and no telephone service. Many medically needy persons in these outlying areas have no transportation and their telephone becomes their lifeline to health care, and having a telephone can often make the difference between life and death in a medical emergency.

We urge the Commission to grant the waiver requested by DES to ensure that this vital program continue timely throughout Arizona.

Sincerely,



Miquelle Scheier
Senior Manager, Community Resource Division

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